

Emirates Integrated Telecommunications Co (DU)

Strong growth in subscriber base boosted the top line

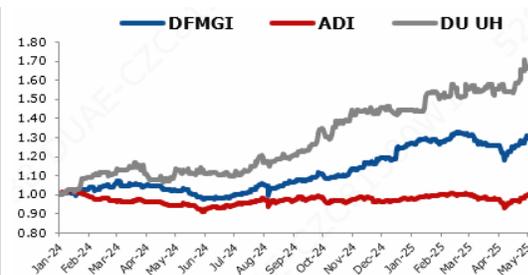
Current Price
AED 8.50

Target Price
AED 8.85

Upside/Downside (%)
+4%

Rating
HOLD

- DU's revenue grew 7.4% YOY to AED 3,848 Mn in 1Q25, primarily driven by healthy growth across service and non-service revenue.
- EBITDA rose 15.0% YOY to AED 1,824 Mn in 1Q25 with an EBITDA Margin of 47.4% (one-off gain included) in 1Q25 compared to 44.3% in 1Q24.
- Capex reported AED 377 Mn with capital intensity of 9.8% in 1Q25.
- Operating free cash flow grew 17.9% YOY to AED 1.4 Bn in 1Q25 primarily due to growth in EBITDA.
- Anticipates revenue growth of 5–7% in 2025, with EBITDA margins expected to exceed the 44.2% recorded in 2024.



1Q25 Net Profit higher than our estimate

Emirates Integrated Telecommunications Co. PJSC (DU/ The Company) net profit rose 19.8% YOY to AED 722 Mn in 1Q25, higher than our estimate of AED 622 Mn. The increase in net profit is primarily driven by higher revenue due to higher Mobile and Fixed services coupled with a decrease in expected credit losses partially offset by an increase in marketing expenses, federal royalty and income tax charges.

P&L Highlights

DU's revenue grew 7.4% YOY to AED 3,848 Mn in 1Q25 primarily driven by healthy growth across service and non-service revenue. The growth in services revenue is driven by solid growth in subscriber base, higher ARPU and improved mix. Mobile Services revenue rose 7.4% YOY to AED 1,721 Mn in 1Q25 mainly due to growth in the Postpaid as well as prepaid customer base attributable to a rise in tourism activity and a better mix coupled with increased focus on higher ARPU. Moreover, the mobile subscriber base rose 5.5% YOY to 9.1 Mn mainly driven by 9.6% YOY growth in postpaid customers to 1.8 Mn in 1Q25. Meanwhile, the prepaid customers rose 4.5% YOY to 7.3 Mn in 1Q25. Fixed service revenue grew 10.2% YOY to AED 1,060 Mn in 1Q25 attributable to a robust performance of Fibre and Home Wireless products as well as expansion of the Fibre network. Broadband subscribers recorded a strong growth of 13.8% YOY to 701K in 1Q25. Other revenues increased 4.8% YOY to 1,067 Mn in 1Q25 driven by growth in ICT, visitor roaming, and interconnect, partially offset by lower handset sales. DU's cost of revenue, excluding D&A and marketing expenses, rose 1.9% YOY to AED 1,919 Mn in 1Q25. Marketing expenses increased 14.2% YOY to AED 57 Mn in 1Q25, while expected credit losses (ECL) charges declined 23.4% YOY to AED 48 Mn in 1Q25. The Company's EBITDA rose 15.0% YOY to

Stock Information

Market Cap (AED, Mn)	38,529.70
Paid Up Capital (Mn)	4,532.91
52 Week High	9.23
52 Week Low	5.64
3M Avg. daily value (AED)	6,164,663

1Q25 Result Review (AED, Mn)

Total Assets	19,238
Total Liabilities	10,179
Total Equity	9,059
EBITDA	1,824
Net Profit	722

Financial Ratios

Dividend Yield (12m)	6.35
Dividend Pay-out (%)	98.40
Price-Earnings Ratio(x)	14.73
Price-to-Book Ratio (x)	4.25
Book Value (AED)	2.00
Return-on Equity (%)	29.04

Stock Performance

5 Days	-2.30%
1 Months	6.25%
3 Months	8.28%
6 Months	13.79%
1 Year	46.55%
Month to Date (MTD%)	-2.30%
Quarter to Date (QTD%)	5.46%
Year to Date (YTD%)	13.48%

AED 1,824 Mn in 1Q25 with an increase in EBITDA Margin from 44.3% in 1Q24 to 47.4% in 1Q25 (which includes one-off gains: one related to a commercial initiative linked to non-current revenue, and another from a resolved dispute). The Company recorded a net finance income of AED 6 Mn in 1Q25 compared to AED 5 Mn in 1Q24. Furthermore, DU's Federal royalty charge rose 19.9% YOY to AED 487 Mn in 1Q25 mainly due to the implementation of the new royalty regime. In addition, tax expense amounted to AED 72 Mn in 1Q25 compared to 59 Mn in 1Q24.

Balance Sheet Highlights

DU's Capex grew by 5.0% YoY from AED 359 Mn in 1Q24 to AED 377 Mn in 1Q25 with capex intensity of 9.8%. Operating free cash flow grew 17.9% YOY to AED 1.4 Bn in 1Q25 primarily due to growth in EBITDA. The Company remains debt-free with a net cash balance of AED 2.7 Bn in 1Q25, indicating a robust liquidity position and unleveraged balance sheet.

Target Price and Rating

We maintain our HOLD rating on DU with a revised target price of AED 8.85. The Company recorded robust financial performance in 1Q25, driven by strong growth in revenue and EBITDA. DU continued to focus on diversifying revenue streams by offering other technology-related services, forging partnerships, launching new brands, and expanding its product portfolio. The Company recently announced the development of a new hyperscale data center in the UAE. This initiative, marked by a strategic partnership with Microsoft, represents a significant milestone in DU's data center expansion and underscores its commitment to growth beyond its traditional core operations. Moreover, DuPay surpassed 500K app downloads and processed c. AED 500 Mn in financial transactions as of 1Q25. The Company's Mobile market share declined marginally from 40.4% in 1Q24 to 40.2% in 1Q25, whereas the fixed market share increased from 30.9% in 1Q24 to 33.6% in 1Q25, indicating a growth in the fixed market segment. Recently, DU raised the offering prices for home wireless services from AED 199 to AED 299. These new rates apply only to new customers and will not impact existing customers. The increase in home wireless service pricing for new customers is expected to support DU's revenue growth and margin expansion going forward. The Company is also experiencing positive momentum in its ICT segment, contributing to revenue growth and customer acquisition. DU remains focused on both its core and non-core sectors through the implementation of a targeted commercial strategy and disciplined cost management in 2025. As a result, it anticipates revenue growth of 5–7% in 2025, with EBITDA margins expected to exceed the 44.2% recorded in 2024. As of 1Q25, DU maintains a robust financial position of AED 2.7 Bn, with no outstanding debt and access to an AED 2 Bn revolving credit facility, providing flexibility for future investments and operations. Moreover, the Company's shareholders approved a final dividend of 34 fils per share for 2H24, bringing the total dividend for 2024 to 54 fils per share. This represents the highest dividend in DU's history, marking a 59% YOY increase. Thus, considering the factors mentioned above, we assign a HOLD rating on the stock.

DU - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	26.77	35.09	31.67	23.16	15.53	14.0
PB	4.51	4.53	4.40	4.18	3.91	3.9
EV/EBITDA	12.20	11.95	10.91	9.39	7.66	6.9
DPS	0.28	0.21	0.24	0.34	0.54	0.58
Dividend yield	3.3%	2.5%	2.8%	4.0%	6.3%	6.8%

FABS Estimates & Co Data

DU – P&L

AED Mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	3,581	3,873	3,848	3,740	2.9%	7.4%	-0.6%	14,636	15,444	5.5%
Costs	-1,883	-2,120	-1,919	-1,967	-2.4%	1.9%	-9.5%	-7,642	-7,964	4.2%
Marketing expense	-50	-108	-57	-60	-4.1%	14.2%	-46.7%	-264	-258	-2.3%
Expected Credit Loss	-62	-65	-48	-75	-36.0%	-23.4%	-26.9%	-261	-216	-17.2%
EBITDA	1,586	1,581	1,824	1,638	11.3%	15.0%	15.4%	6,472	7,006	8.2%
D&A and Impairment	-521	-557	-549	-557	-1.5%	5.3%	-1.4%	-2,154	-2,229	3.5%
Operating profit	1,064	1,024	1,275	1,081	18.0%	19.8%	24.5%	4,319	4,777	10.6%
Finance inc/exp	5	-1	6	-5	NM	15.3%	NM	-10	-16	54.8%
Pre-royalty profit	1,068	1,023	1,281	1,076	19.1%	19.9%	25.3%	4,306	4,761	10.6%
Federal Royalty	-406	-380	-487	-393	24.0%	19.9%	28.3%	-1,572	-1,738	10.6%
Tax	-59	-58	-72	-61	16.5%	20.6%	22.9%	-247	-272	10.2%
Net Profit	603	585	722	622	16.2%	19.8%	23.6%	2,488	2,751	10.6%

FABS estimate & Co Data

DU - Margins

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	47.4%	45.3%	50.1%	272	486	47.8%	48.4%	64
EBITDA	44.3%	40.8%	47.4%	311	657	44.2%	45.4%	114
Operating Profit	29.7%	26.4%	33.1%	343	668	29.5%	30.9%	142
Net Profit	16.8%	15.1%	18.8%	194	368	17.0%	17.8%	82

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF) and Relative Valuation (RV) to value DU. We have assigned 70% weight to DCF and 30% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	9.05	70.0%	6.34
Relative Valuation (RV)	8.37	30.0%	2.51
Weighted Average Valuation (AED)			8.85
Current market price (AED)			8.50
Upside/Downside (%)			+4%

1) DCF Method:

DU is valued using free cash flow to equity since the Company is debt-free. We have discounted the cash flow using the cost of equity of 9.1%. Cost of equity is calculated by using a 10-year government bond yield of 5.6%, beta of 0.9 and an equity risk premium of 3.9%. Government bond yield is calculated after adding Dubai's 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	10,973
Terminal value (AED, Mn)	30,064
FV to Common shareholders (AED, Mn)	41,037
No. of share (Mn)	4,533
Current Market Price (AED)	8.50
Fair Value per share (AED)	9.05

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Income	2,751	2,804	2,863	2,975	3,090
D&A	2,217	2,240	2,264	2,289	2,316
Change in working capital	182	67	225	164	154
(-) Capex	-1,853	-1,884	-1,883	-1,915	-1,912
Net change in debt	-530	-508	-501	-499	-503
Free Cash Flow to Equity (FCFE)	2,767	2,718	2,968	3,013	3,145
Discounting Factor	0.95	0.87	0.79	0.73	0.67
Discounted FCFE	1,962	2,356	2,358	2,195	2,101

Source: FAB Securities,¹Adjusted for the year

2) Relative Valuation:

We have used international peers to value DU and it is valued using the EV/EBITDA multiple. It is valued at 2025 EV/ EBITDA multiple of 7.1x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Telstra Group limited	33,536	8.3	8.0	23.5	21.6
Verizon Communication	1,83,576	7.1	6.9	9.3	9.0
SAFARICOM PLC	5,681	4.7	3.8	11.7	9.1
Deutsche Telekom AG	1,77,076	7.5	7.1	15.8	14.0
Saudi Telecom	61,427	8.9	8.1	16.5	15.5
Emirates Telecommunications group	41,198	6.2	5.8	11.9	11.6
Etihad Etisalat	12,441	7.0	6.6	14.6	12.7
Average		7.1x	6.6x	14.7x	13.4x
Median		7.1x	6.9x	14.6x	12.7x
Max		7.9x	7.5x	16.1x	14.8x
Min		6.6x	6.2x	11.8x	10.3x

Source: FAB Securities

